



**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001 & 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

City of Richmond Heights
Cuyahoga County
457 Richmond Road
Richmond Heights, Ohio 44143

To the Members of City Council:

We have audited the accompanying general-purpose financial statements of the City of Richmond Heights, Cuyahoga County, Ohio, (the City) as of and for the years ended December 31, 2001 and December 31, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Richmond Heights, Cuyahoga County, Ohio, as of December 31, 2001 and December 31, 2000, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2002 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

May 23, 2002

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City of Richmond Heights, Ohio
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 2001

	Governmental Fund Types		
	General	Special Revenue	Debt Service
<i>Assets and Other Debits</i>			
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,136,705	\$1,232,112	\$187,212
Cash and Cash Equivalents with Fiscal and Escrow Agents	0	0	2,263
Receivables:			
Taxes	2,489,874	1,108,239	872,940
Accounts	29,886	11,359	0
Special Assessments	0	0	3,618,551
Accrued Interest	1,724	0	0
Intergovernmental	177,854	184,065	42,656
Materials and Supplies Inventory	6,988	54,377	0
Prepaid Items	34,879	0	0
Fixed Assets	0	0	0
Other Debits			
Amount Available in Debt Service	0	0	0
Amount to be Provided from General Government Resources	0	0	0
Amount to be Provided from Special Assessments	0	0	0
<i>Total Assets and Other Debits</i>	<u><u>\$3,877,910</u></u>	<u><u>\$2,590,152</u></u>	<u><u>\$4,723,622</u></u>

Capital Projects	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	Agency	General Fixed Assets	General Long-Term Obligations	
\$4,263,995	\$253,749	\$0	\$0	\$7,073,773
0	0	0	0	2,263
0	0	0	0	4,471,053
1,750	0	0	0	42,995
0	0	0	0	3,618,551
38	0	0	0	1,762
57,660	0	0	0	462,235
0	0	0	0	61,365
0	0	0	0	34,879
0	0	11,138,167	0	11,138,167
0	0	0	187,212	187,212
0	0	0	7,152,233	7,152,233
0	0	0	2,796,868	2,796,868
<u>\$4,323,443</u>	<u>\$253,749</u>	<u>\$11,138,167</u>	<u>\$10,136,313</u>	<u>\$37,043,356</u>

(continued)

City of Richmond Heights, Ohio
Combined Balance Sheet
All Fund Types and Account Groups (continued)
December 31, 2001

	Governmental Fund Types		
	General	Special Revenue	Debt Service
<i>Liabilities, Fund Equity And Other Credits</i>			
<i>Liabilities</i>			
Accounts Payable	\$102,420	\$41,377	\$0
Contracts Payable	0	9,196	0
Retainage Payable	0	0	0
Accrued Wages and Benefits	80,834	60,514	0
Compensated Absences Payable	42,062	26,408	0
Intergovernmental Payable	130,248	2,197	0
Deferred Revenue	2,017,824	1,271,948	4,534,147
Deposits Held and Due to Others	0	0	0
Matured Interest Payable	0	0	2,263
Accrued Interest Payable	0	0	0
Notes Payable	0	0	0
Police and Fire Pension Liability	0	0	0
OWDA Loans Payable	0	0	0
General Obligation Bonds Payable	0	0	0
Special Assessment Debt with Governmental Commitment	0	0	0
<i>Total Liabilities</i>	2,373,388	1,411,640	4,536,410
<i>Fund Equity and Other Credits</i>			
Investment in General Fixed Assets	0	0	0
Fund Balance:			
Reserved for Inventory	6,988	54,377	0
Unreserved, Undesignated	1,497,534	1,124,135	187,212
<i>Total Fund Equity and Other Credits</i>	1,504,522	1,178,512	187,212
<i>Total Liabilities, Fund Equity and Other Credits</i>	\$3,877,910	\$2,590,152	\$4,723,622

See accompanying notes to the general purpose financial statements

Capital Projects	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	Agency	General Fixed Assets	General Long-Term Obligations	
\$28,972	\$0	\$0	\$0	\$172,769
310,808	0	0	0	320,004
133,708	0	0	0	133,708
0	0	0	0	141,348
0	0	0	725,554	794,024
0	6,385	0	430,744	569,574
2,971	0	0	0	7,826,890
0	247,364	0	0	247,364
0	0	0	0	2,263
3,849	0	0	0	3,849
650,000	0	0	0	650,000
0	0	0	52,640	52,640
0	0	0	2,787,375	2,787,375
0	0	0	6,130,507	6,130,507
0	0	0	9,493	9,493
<u>1,130,308</u>	<u>253,749</u>	<u>0</u>	<u>10,136,313</u>	<u>19,841,808</u>
0	0	11,138,167	0	11,138,167
0	0	0	0	61,365
<u>3,193,135</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,002,016</u>
<u>3,193,135</u>	<u>0</u>	<u>11,138,167</u>	<u>0</u>	<u>17,201,548</u>
<u><u>\$4,323,443</u></u>	<u><u>\$253,749</u></u>	<u><u>\$11,138,167</u></u>	<u><u>\$10,136,313</u></u>	<u><u>\$37,043,356</u></u>

City of Richmond Heights, Ohio
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Year Ended December 31, 2001*

	Governmental	
	General	Special Revenue
Revenues		
Municipal Income Tax	\$4,182,685	\$0
Property and Other Taxes	1,157,154	988,626
Charges for Services	24,962	277,308
Fees, Licenses and Permits	281,109	0
Fines and Forfeitures	148,316	0
Intergovernmental	546,782	406,429
Special Assessments	0	0
Interest	123,433	0
Rent	34,240	0
Other	67,370	82,947
	<u>6,566,051</u>	<u>1,755,310</u>
<i>Total Revenues</i>		
Expenditures		
Current:		
General Government	1,423,003	25,743
Security of Persons and Property	2,243,332	1,960,081
Transportation	720,402	434,434
Community Environment	14,711	893
Basic Utility Services	353,126	2,283
Leisure Time Activities	264,138	107,694
Capital Outlay	0	0
Debt Service:		
Principal Retirement	0	703
Interest and Fiscal Charges	0	6,087
	<u>5,018,712</u>	<u>2,537,918</u>
<i>Total Expenditures</i>		
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,547,339</u>	<u>(782,608)</u>
Other Financing Sources (Uses)		
Proceeds of Bonds	0	0
Proceeds of Loans	0	0
Operating Transfers In	20,000	1,075,000
Operating Transfers Out	(1,500,000)	(20,000)
	<u>(1,480,000)</u>	<u>1,055,000</u>
<i>Total Other Financing Sources (Uses)</i>		
<i>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</i>	<u>67,339</u>	<u>272,392</u>
<i>Fund Balances Beginning of Year</i>	1,435,761	904,781
Increase in Reserve for Inventory	1,422	1,339
<i>Fund Balances End of Year</i>	<u>\$1,504,522</u>	<u>\$1,178,512</u>

See accompanying notes to the general purpose financial statements

Fund Types		
Debt Service	Capital Projects	Totals (Memorandum Only)
\$0	\$0	\$4,182,685
849,615	0	2,995,395
0	0	302,270
0	0	281,109
0	0	148,316
95,380	990,085	2,038,676
211,986	0	211,986
0	107,352	230,785
0	0	34,240
0	157,568	307,885
<u>1,156,981</u>	<u>1,255,005</u>	<u>10,733,347</u>
0	0	1,448,746
0	0	4,203,413
0	0	1,154,836
0	0	15,604
0	0	355,409
0	0	371,832
0	3,262,466	3,262,466
707,056	23,290	731,049
391,661	14,419	412,167
<u>1,098,717</u>	<u>3,300,175</u>	<u>11,955,522</u>
<u>58,264</u>	<u>(2,045,170)</u>	<u>(1,222,175)</u>
0	4,157,439	4,157,439
0	198,532	198,532
0	425,000	1,520,000
0	0	(1,520,000)
<u>0</u>	<u>4,780,971</u>	<u>4,355,971</u>
58,264	2,735,801	3,133,796
128,948	457,334	2,926,824
<u>0</u>	<u>0</u>	<u>2,761</u>
<u>\$187,212</u>	<u>\$3,193,135</u>	<u>\$6,063,381</u>

City of Richmond Heights, Ohio
*Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types
For The Year Ended December 31, 2001*

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Municipal Income Tax	\$4,184,148	\$4,184,148	\$0
Property and Other Taxes	1,166,741	1,166,741	0
Charges for Services	1,769	2,187	418
Fees, Licenses and Permits	281,109	281,109	0
Fines and Forfeitures	142,614	142,614	0
Intergovernmental	544,693	544,693	0
Special Assessments	0	0	0
Interest	150,494	150,494	0
Rent	34,240	34,240	0
Other	67,370	67,370	0
<i>Total Revenues</i>	<u>6,573,178</u>	<u>6,573,596</u>	<u>418</u>
Expenditures			
Current:			
General Government	1,775,822	1,385,464	390,358
Security of Persons and Property	2,387,033	2,208,518	178,515
Transportation	740,525	705,799	34,726
Community Environment	16,340	13,146	3,194
Basic Utility Services	372,000	353,126	18,874
Leisure Time Activities	288,880	264,684	24,196
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>5,580,600</u>	<u>4,930,737</u>	<u>649,863</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>992,578</u>	<u>1,642,859</u>	<u>650,281</u>
Other Financing Sources (Uses)			
Proceeds of Bonds	0	0	0
Proceeds of Notes	0	0	0
Proceeds of Loans	0	0	0
Operating Transfers In	20,000	20,000	0
Operating Transfers Out	(1,500,000)	(1,500,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,480,000)</u>	<u>(1,480,000)</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(487,422)	162,859	650,281
<i>Fund Balances Beginning of Year</i>	<u>999,638</u>	<u>999,638</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u>\$512,216</u>	<u>\$1,162,497</u>	<u>\$650,281</u>

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0
988,626	988,626	0	849,615	849,615	0
273,216	273,216	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
407,147	407,145	(2)	106,460	106,460	0
0	0	0	211,986	211,986	0
0	0	0	0	0	0
0	0	0	0	0	0
82,947	82,947	0	0	0	0
<u>1,751,936</u>	<u>1,751,934</u>	<u>(2)</u>	<u>1,168,061</u>	<u>1,168,061</u>	<u>0</u>
20,000	18,969	1,031	0	0	0
2,505,295	2,081,218	424,077	0	0	0
485,000	424,375	60,625	0	0	0
15,000	893	14,107	0	0	0
5,000	2,057	2,943	0	0	0
150,000	109,156	40,844	0	0	0
0	0	0	0	0	0
350,000	350,000	0	830,544	732,056	98,488
16,205	16,205	0	409,456	402,741	6,715
<u>3,546,500</u>	<u>3,002,873</u>	<u>543,627</u>	<u>1,240,000</u>	<u>1,134,797</u>	<u>105,203</u>
<u>(1,794,564)</u>	<u>(1,250,939)</u>	<u>543,625</u>	<u>(71,939)</u>	<u>33,264</u>	<u>105,203</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
1,075,000	1,075,000	0	25,000	25,000	0
(20,000)	(20,000)	0	0	0	0
<u>1,055,000</u>	<u>1,055,000</u>	<u>0</u>	<u>25,000</u>	<u>25,000</u>	<u>0</u>
(739,564)	(195,939)	543,625	(46,939)	58,264	105,203
<u>1,427,191</u>	<u>1,427,191</u>	<u>0</u>	<u>128,948</u>	<u>128,948</u>	<u>0</u>
<u>\$687,627</u>	<u>\$1,231,252</u>	<u>\$543,625</u>	<u>\$82,009</u>	<u>\$187,212</u>	<u>\$105,203</u>

(continued)

City of Richmond Heights, Ohio
*Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types (continued)
For The Year Ended December 31, 2001*

	Capital Projects Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Municipal Income Tax	\$0	\$0	\$0
Property and Other Taxes	0	0	0
Charges for Services	0	0	0
Fees, Licenses and Permits	0	0	0
Fines and Forfeitures	0	0	0
Intergovernmental	986,121	986,121	0
Special Assessments	0	0	0
Interest	108,196	108,196	0
Rent	0	0	0
Other	155,818	155,818	0
<i>Total Revenues</i>	<u>1,250,135</u>	<u>1,250,135</u>	<u>0</u>
Expenditures			
Current:			
General Government	0	0	0
Security of Persons and Property	0	0	0
Transportation	0	0	0
Community Environment	0	0	0
Basic Utility Services	0	0	0
Leisure Time Activities	0	0	0
Capital Outlay	3,296,676	2,824,825	471,851
Debt Service:			
Principal Retirement	623,290	623,290	0
Interest and Fiscal Charges	5,050	5,050	0
<i>Total Expenditures</i>	<u>3,925,016</u>	<u>3,453,165</u>	<u>471,851</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,674,881)</u>	<u>(2,203,030)</u>	<u>471,851</u>
Other Financing Sources (Uses)			
Proceeds of Bonds	4,157,439	4,157,439	0
Proceeds of Notes	650,000	650,000	0
Proceeds of Loans	198,532	198,532	0
Operating Transfers In	400,000	400,000	0
Operating Transfers Out	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>5,405,971</u>	<u>5,405,971</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	2,731,090	3,202,941	471,851
<i>Fund Balances Beginning of Year</i>	<u>1,061,054</u>	<u>1,061,054</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u>\$3,792,144</u>	<u>\$4,263,995</u>	<u>\$471,851</u>

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$4,184,148	\$4,184,148	\$0
3,004,982	3,004,982	0
274,985	275,403	418
281,109	281,109	0
142,614	142,614	0
2,044,421	2,044,419	(2)
211,986	211,986	0
258,690	258,690	0
34,240	34,240	0
306,135	306,135	0
<u>10,743,310</u>	<u>10,743,726</u>	<u>416</u>
1,795,822	1,404,433	391,389
4,892,328	4,289,736	602,592
1,225,525	1,130,174	95,351
31,340	14,039	17,301
377,000	355,183	21,817
438,880	373,840	65,040
3,296,676	2,824,825	471,851
1,803,834	1,705,346	98,488
430,711	423,996	6,715
<u>14,292,116</u>	<u>12,521,572</u>	<u>1,770,544</u>
<u>(3,548,806)</u>	<u>(1,777,846)</u>	<u>1,770,960</u>
4,157,439	4,157,439	0
650,000	650,000	0
198,532	198,532	0
1,520,000	1,520,000	0
(1,520,000)	(1,520,000)	0
<u>5,005,971</u>	<u>5,005,971</u>	<u>0</u>
1,457,165	3,228,125	1,770,960
<u>3,616,831</u>	<u>3,616,831</u>	<u>0</u>
<u>\$5,073,996</u>	<u>\$6,844,956</u>	<u>\$1,770,960</u>

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City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 2001

Note 1 - Reporting Entity

The City of Richmond Heights is a charter municipal corporation established and operated under the laws of the State of Ohio. A charter first became effective January 1, 1960. The current charter provides for a council-mayor form of government. Elected officials include seven council members and a mayor.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of Richmond Heights consist of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Richmond Heights this includes: police and fire protection, emergency medical, recreation (including parks), planning, zoning, street maintenance and repair, refuse collection, recycling and general administrative services.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes. The City has no component units.

The City participates in a shared risk pool and two jointly governed organizations. The organizations are the Northern Ohio Risk Management Association (NORMA), which is a shared risk pool and the Eastern Suburban Regional Council of Governments (ESCOG) and the Northeast Ohio Public Energy Council (NOPEC), which are jointly governed organizations. These organizations are presented in Notes 9 and 18 to the combined financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Basis of Presentation - Fund Accounting

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

A fund is designed as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available resources.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 2001

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories: governmental and fiduciary. Each category in turn, is divided into separate “fund types.” The City uses the following fund types and account groups:

Governmental Fund Types. Governmental funds are those through which most governmental functions typically are financed. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The following are the City's governmental fund types:

General Fund. This fund is the operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds. These funds are established to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund. The debt service fund is used to account for the accumulation of financial resources for, and the payment of general and special assessment long-term obligation principal, interest and related cost.

Capital Projects Funds. These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Fiduciary Fund Type. Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City only utilizes the agency fund type. The City's agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Account Groups. To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group. The general fixed assets account group is used to account for all general fixed assets of the City.

General Long-Term Obligations Account Group. The general long-term obligations account group is used to account for all unmatured long-term indebtedness of the City.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 2001

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within thirty-one days of year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. (See Note 7) Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes, interest, grants, fees and rentals.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2001, but which were levied to finance year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. All funds, other than the agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department in the general fund and at the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of City Council.

City of Richmond Heights, Ohio
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Tax Budget At the first Council meeting in July, the Mayor presents the annual operating budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees that an estimate needs to be either increased or decreased. The amounts reported in the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2001.

Appropriations A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the object level within each department in the general fund and at the fund level for all other funds. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year only by an ordinance of Council. The Director of Finance is authorized to transfer appropriations between line items within an object of any department. During the year, several supplemental appropriation measures were passed. None of these supplemental appropriations had any significant affect on the original appropriations. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications passed by Council.

Encumbrances As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds.

Lapsing of Appropriations At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding year and is not reappropriated.

D. Cash and Cash Equivalents

Cash received by the City is deposited into one central bank account. Monies from all funds are pooled in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through the City's records.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 2001

During 2001, investments were limited to Federal National Mortgage Association Bonds and non-negotiable certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as certificates of deposit are reported at cost.

The City utilizes a financial institution to service general obligation bonded debt as principal and interest come due. The balance of this account is presented on the combined balance sheet as "Cash and Cash Equivalents with Fiscal and Escrow Agents".

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2001 amounted to \$123,433, which includes \$102,659 assigned from other City funds.

For purposes of the presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

E. Inventory

Inventory is stated at cost for governmental funds on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental funds when purchased. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental fund which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2001, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure in the year in which it was consumed.

G. Fixed Assets and Depreciation

General fixed assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized (recorded and accounted for) in the general fixed assets account group. Infrastructure fixed assets consist of sewer lines. Other infrastructure fixed assets such as streets, sidewalks and traffic signals and signs are not capitalized by the City and are not reported as part of the general fixed assets account group.

Fixed asset values were initially determined at December 31, 1994 assigning original acquisition costs when such information was available. In cases where information supporting original costs was not practicably determinable, estimated historical costs were developed. For certain fixed assets, the estimates were calculated by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are capitalized at estimated fair market value on the date donated. The City has elected not to record depreciation in the general fixed assets account group.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 2001

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset's life are not capitalized. Improvements are capitalized.

H. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. A liability is accrued for employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at fiscal year end, taking into consideration any limits specified in the City's termination policy.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

I. Accrued Liabilities and Long Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Payments made more than sixty days after year end are generally considered not to have been paid with current available financial resources. Bonds and long-term loans are recognized as a liability of the general long-term obligations account group until due or until resources have been accumulated in the fund for payment early in the following year.

J. Interfund Transactions

During the normal course of operations, the City has transactions between funds. Quasi-external transactions are accounted for as revenues and expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

K. Fund Balance Reserves

Reservations of fund balances are established to identify the existence of assets that, because of their nonmonetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure, including amounts legally segregated for a specific future use. Fund balances are reserved for inventories of supplies and materials.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 2001

L. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

M. Total Columns on the General Purpose Financial Statements

The "Total" columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cashflows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 3 – Changes in Accounting Principles

For the year ended December 31, 2001, the City has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues." The implementation had no effect on fund balance as of December 31, 2000 as previously reported.

Note 4 - Fund Accountability and Compliance

A. Fund Deficits

The street resurfacing capital projects fund had a deficit fund balance of \$252,043 at December 31, 2001. This deficit is the result of the issuance of short-term bond anticipation notes which are used to finance projects until bonds are issued. Once bonds are issued and the liability is reported in the general long-term obligations account group rather than in the fund, the deficit fund balance will be eliminated.

B. Compliance

Ohio Revised Code Section 5705.39 states that total appropriations from each fund should not exceed the total estimated revenue fund from that fund. As of October 31, 2001, the special revenue law enforcement building fund, the capital projects street resurfacing fund and richmond road sanitary sewer Fund had appropriations in excess of estimated revenues (plus available balances).

As of October 31, 2001, the general fund and capital projects – richmond road sanitary sewer fund had expenditures plus commitments exceeding appropriations at the legal level of control, contrary to Section 5705.41 (B) and (D), Revised Code.

As of December 31, 2001, the City was in violation of Section 5705.41D for failure to certify the availability of funds for expenditure transactions during the audit period.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 2001

Note 5 - Budgetary Basis Of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with State statute. The major differences between the budget basis and the GAAP basis (generally accepted accounting principles) are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures for all funds (budget) rather than as a reservation of fund balance for governmental fund types (GAAP).
4. Short-term note proceeds and note principal retirement for governmental funds are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis:

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$67,339	\$272,392	\$58,264	\$2,735,801
Net Adjustment for Revenue Accruals	(18,247)	(2,516)	11,080	(4,870)
Fair Value Adjustment for Investments	25,792	0	0	0
Unrecorded Cash	0	(860)	0	0
Note Proceeds	0	0	0	650,000
Operating Transfers In for Debt Payments	0	0	25,000	(25,000)
Net Adjustment for Expenditure Accruals	87,975	(115,658)	0	435,930
Principal Retirement	0	(349,297)	(25,000)	(600,000)
Interest and Fiscal Charges	0	0	(11,080)	11,080
Budget Basis	<u>\$162,859</u>	<u>(\$195,939)</u>	<u>\$58,264</u>	<u>\$3,202,941</u>

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 2001

Note 6 - Deposits and Investments

State statutes classify monies held by the City into these categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts. Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the finance director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies can be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio).

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 2001

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the City.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the custodian.

Unreported Cash. At fiscal year end, the City had \$860 in unreported cash on hand which is included on the balance sheet of the City as part of “equity in pooled cash and cash equivalents.”

The following information classifies deposits and investments by categories of custodial credit risk as defined in GASB Statement 3, “Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements.”

Deposits. At year-end, the carrying amount of the City's deposits was \$4,100,968 and the bank balance was \$4,282,741. Of the bank balance:

1. \$300,000 was covered by federal depository insurance.
2. \$3,982,741 was uncollateralized and uninsured. Although the securities were held by the pledging financial institutions trust department or agent in the City’s name and all State statutory requirements for the investment of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments. Investments are classified under the guidelines of GASB Statement No. 3 into three categories. Category 1 includes investments that are insured or registered or are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the City's name.

	Category 3	Fair Value
Federal National Mortgage Association Bonds	<u>\$ 2,974,208</u>	<u>\$ 2,974,208</u>

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 2001

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classification of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows.

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$7,076,036	\$0
Federal National Mortgage	(2,974,208)	2,974,208
Unrecorded Cash	(860)	860
GASB Statement 3	\$4,100,968	\$2,975,068

Note 7 - Receivables

Receivables at December 31, 2001 consist primarily of taxes, accounts, money due from other governments and accrued interest on investments. All receivables are considered fully collectible.

A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2001 for real and public utility property taxes represents collections of the 2000 taxes. Property tax payments received during 2001 for tangible personal property (other than public utility property) is for 2001 taxes.

2001 real property taxes are levied after October 1, 2001 on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2001 real property taxes are collected in and intended to finance 2002.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after October 1, 2001, and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after October 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are 25 percent of true value.

The full tax rate for all City operations for the year ended December 31, 2001, was \$14.30 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2001 property tax receipts were based are as follows:

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 2001

Category	Assessed Value
Real Estate	
Residential/Agriculture	\$165,900,900
Other Real Estate	84,005,750
Tangible Personal Property	
Public Utility	4,943,660
General Tangible Personal Property	17,416,189
Total	\$272,266,499

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Richmond Heights. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represent real tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2001 and for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2001 operations. The receivable is offset by deferred revenue.

B. Intergovernmental Receivables

A summary of intergovernmental receivables as of December 31, 2001 follows:

	Amount
General Fund	
Local Government	\$159,212
Court Collections	12,954
Liquor Permits	5,388
Miscellaneous	300
<i>Total General Fund</i>	177,854
Special Revenue Funds	
Street Construction, Maintenance and Repair	110,354
State Highway	8,948
Fire Services	44,259
Police Pension	4,002
Fire Pension	4,002
COPS Fast	12,500
<i>Total Special Revenue Funds</i>	184,065
Debt Service Fund	
Bond Retirement	\$42,656

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 2001

Capital Project Fund	
Capital Improvements	\$57,660
Total Intergovernmental Receivables	\$462,235

C. Income Taxes

The City levies a municipal income tax of two percent on substantially all income earned within the City; in addition, residents are required to pay tax on income earned outside of the City. The City allows a credit of one hundred percent for income tax paid to another municipality, not to exceed one percent of taxable income.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Income tax proceeds are to be used for the purposes of general municipal operations, maintenance, new equipment, extension and enlargement of municipal services and facilities and capital improvements of the City of Richmond Heights. In 2001, the proceeds were allocated one hundred percent to the general fund.

Note 8 - Fixed Assets

A summary of changes in general fixed assets follows:

	Balance 12/31/2000	Additions	Deletions	Balance 12/31/2001
Land	\$558,360	\$0	\$0	\$558,360
Improvements to Land	260,813	0	0	260,813
Buildings	4,850,053	7,012	0	4,857,065
Machinery & Equipment	727,160	74,837	0	801,997
Vehicles	1,861,916	214,021	0	2,075,937
Infrastructure	1,545,091	0	0	1,545,091
Construction in Progress	0	1,038,904	0	1,038,904
<i>Total</i>	\$9,803,393	\$1,334,774	\$0	\$11,138,167

Note 9 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. In October 1987, the City joined together with other neighboring cities to form the Northern Ohio Risk Management Association (NORMA) for the purpose of providing property, liability and vehicle insurance and providing for a formalized, jointly administered self insurance fund. The City pays an annual premium to NORMA for its insurance coverage. The agreement for formation of NORMA provides that NORMA will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of the limits described in the agreement. This coverage is purchased through the general fund.

City of Richmond Heights, Ohio
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Claims have not exceeded coverage provided by NORMA in any of the last three years and there were no significant reductions in coverage from the prior year.

The City also elected to join the NORMA Pool for Workers' Compensation. The Group Rating Plan is administered by Comp-Management, Inc. who is paid an annual fee of \$1,956. The NORMA Group Rating Plan is intended to achieve lower workers' compensation premium rates for the participants. There are no additional contributions required by a participant other than their annual fee.

Note 10 - Shared Risk Pool

The Northern Ohio Risk Management Association (NORMA) is a shared risk pool that is jointly owned and operated by the Cities of Bedford Heights, Chagrin Falls, Eastlake, Highland Heights, Hudson, Maple Heights, Mayfield Heights, Richmond Heights, Solon and South Euclid for the purpose of enabling its members to obtain property and liability insurance, including vehicles, and provide for a formalized, jointly administered self-insurance fund. The members formed a not-for-profit corporation known as NORMA, Inc. to administer the pool. NORMA is governed by a board of trustees that consists of the mayor from each of the participating members.

Each entity must remain a member for at least three years from the commencement date of October 1, 1987 with the exception of Eastlake and Solon whose commencement date is October 1, 1989 and Maple Heights, whose commencement date is October 1, 1993. After the initial three years, each City may extend its term in three year increments.

Each member provides operating resources to NORMA based on actuarially determined rates. In the event of losses, the first \$2,500 of any valid claim will be paid by the member. The next payment, generally a maximum of \$150,000 per occurrence, will come from the self insurance pool with any excess paid from the stop loss coverage carried by the pool. Any loss over these amounts would be the obligation of the individual member. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments up to a maximum of the regular annual payment.

In 2001, the City of Richmond Heights paid \$41,509 in premiums which represents 5.28 percent of the total premiums. Financial information can be obtained by contacting the Finance Director at the City of Bedford Heights, who serves as the fiscal agent.

Note 11 - Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Employees earn ten to thirty days of vacation per year, depending upon length of service. Earned vacation time is paid upon termination of employment.

Employees earn sick leave at different rates depending upon type of employment. Sick leave accrual is continuous, without limit. Upon retirement or death, employees can be paid for accumulated, unused sick leave, up to a maximum number of hours. The maximum number of hours for most City employees is 600, except for fire department union members, for whom the maximum is 690.

As of December 31, 2001, the liability for unpaid compensated absences was \$794,024 for the entire City.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 2001

Note 12 - Defined Benefit Pension Plans

A. Public Employees Retirement System

All full-time employees, other than non-administrative full-time police officers and firefighters participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2001 employer contribution rate for the City was 9.25 percent of covered payroll, increased from 6.54 percent in 2000. For 2000, PERS instituted a temporary employer rate rollback for state and local governments. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 2001, 2000, and 1999 were \$195,595, \$158,168, and \$131,559, respectively. The full amount has been contributed for 2000 and 1999. 74.20 percent has been contributed for 2001 with the remainder being reported as a liability in the general long-term obligations account group.

B. Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer public employee retirement system administered by the OP&F's Board of Trustees. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. The OP&F issues a publicly available financial report that includes financial information and required supplementary information. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 12 percent for police and 16.5 percent for firefighters. For 2000, the City contributions were 12.25 percent for police and 16.75 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police and firefighters were \$262,886 and \$266,052 for the year ended December 31, 2001, \$222,348 and \$208,283 for the year ended December 31, 2000, \$150,495 and \$155,871 for the year ended December 31, 1999. The full amount has been contributed for 2000 and 1999. 57.94 percent and 55.62 percent, respectively, have been contributed for 2001 with the remainder being reported as a liability in the general long-term obligations account group.

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2001, the unfunded liability of the City was \$52,640 payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary. The liability is reported in the general long-term obligations account group.

Note 13 - Postemployment Benefits

A. Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2001 employer contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for 2001. For 2000, the contribution rate was 10.84 percent of covered payroll; 4.30 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2000, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants was 411,076. The City's actual contributions for 2001 which were used to fund postemployment benefits were \$62,071. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2000, (the latest information available) were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$14,364.6 million and \$2,628.7 million, respectively.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.5 percent of covered payroll was applied to the postemployment health care program during 2001. For 2000 the percent used to fund healthcare was 7.50 percent. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 2001

The City's actual contributions for 2001 that were used to fund postemployment benefits were \$101,110 for police and \$83,141 for fire. The OP&F's total health care expenses for the year ended December 31, 2000, (the latest information available) were \$106,160,054, which was net of member contributions of \$5,657,431. The number of OP&F participants eligible to receive health care benefits as of December 31, 2000, was 12,853 for police and 10,037 for firefighters.

Note 14 - Contingencies

The City is a party to legal proceedings seeking damages. The City management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

Note 15 - Note Debt

The City's note activity, including amounts outstanding, interest rates and the governmental fund in which the note liability is reported is as follows:

	Balance <u>12/31/00</u>	<u>Additions</u>	<u>Deletions</u>	Outstanding <u>12/31/01</u>
Special Revenue Fund				
<i>Fire Squad Fund</i>				
Fire Truck 4.63%	\$350,000	\$0	\$350,000	\$0
Capital Project Fund				
<i>Street Resurfacing Fund</i>				
1999-2000 5.25%	625,000	0	625,000	0
2001-2002 2.60%	<u>0</u>	<u>650,000</u>	<u>0</u>	<u>650,000</u>
	<u>\$975,000</u>	<u>\$650,000</u>	<u>\$975,000</u>	<u>\$650,000</u>

All of the notes are backed by the full faith and credit of the City of Richmond Heights and mature within one year. The note liability is reflected in the fund which received the proceeds.

The notes are generally issued in anticipation of long-term bond financing and are refinanced until such bonds are issued.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 2001

Note 16 - Long-Term Obligations

Changes in long-term obligations of the City during 2001 are as follows:

	Balance 12/31/00	Additions	Deletions	Balance 12/31/01
General Obligations Bonds:				
1995 5.62% Street Improvement	\$235,000	\$0	(\$115,000)	\$120,000
1994 5.67% City Hall, Sidewalks, Underground Storage	202,637	0	(47,130)	155,507
1998 4.74% Street Improvements	325,000	0	(40,000)	285,000
1999 4.32% Street Improvements	910,000	0	(85,000)	825,000
2000 5.30% Street Improvements	875,000	0	(70,000)	805,000
2001 3.35-4.35% Street Improvements	0	600,000	(55,000)	545,000
2001 3.35- 5.70% Law Enforcement Building	0	3,550,000	(155,000)	3,395,000
<i>Total General Obligation Bonds</i>	<u>2,547,637</u>	<u>4,150,000</u>	<u>(567,130)</u>	<u>6,130,507</u>
1994 4.00-5.55 % Special Assessment Bonds	12,363	0	(2,870)	9,493
OWDA Loans:				
Monticello Avenue Sewer 4.56%	158,129	0	(8,259)	149,870
Chardon Road Sewer 4.56%	1,453,948	0	(53,576)	1,400,372
Brushview Road Sewer 4.12%	422,876	0	(15,080)	407,796
Highland Rd. - Meadowlane	580,722	67,308	(22,158)	625,872
Skyline Drive Sewer	119,195	24,142	(26,876)	116,461
Karen Isle	0	107,082	(20,078)	87,004
<i>Total OWDA Loans</i>	<u>2,734,870</u>	<u>198,532</u>	<u>(146,027)</u>	<u>2,787,375</u>
Other Long-Term Obligations:				
Police and Fire Liability	53,343	0	(703)	52,640
Compensated Absences	678,278	47,276	0	725,554
Intergovernmental Payable	12,347	445,063	(26,666)	430,744
<i>Total Other Long-Term Obligations</i>	<u>743,968</u>	<u>492,339</u>	<u>(27,369)</u>	<u>1,208,938</u>
<i>Grand Total</i>	<u>\$6,038,838</u>	<u>\$4,840,871</u>	<u>(\$743,396)</u>	<u>\$10,136,313</u>

The City's overall legal debt margin was \$21,595,263 at December 31, 2001. The unvoted legal debt margin was \$7,981,938. Principal and interest requirements to retire the long-term general obligation bonds, police pension obligation, Monticello Avenue Ohio Water Development Authority (OWDA) loan, special assessment bonds and the land purchase obligation as of December 31, 2001, are as follows:

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 2001

	General Obligation Bonds	Police Pension	OWDA Loans	Special Assessment Bonds	Totals
2002	\$833,556	\$1,481	\$266,053	\$3,587	\$1,104,677
2003	718,627	1,481	266,053	3,520	989,681
2004	712,178	1,481	266,056	3,635	983,350
2005	655,347	1,481	266,058	0	922,886
2006	658,941	1,481	211,460	0	871,882
2007-2011	2,608,025	7,405	1,057,285	0	3,672,715
2012-2016	1,424,830	7,405	1,026,587	0	2,458,822
2017-2021	1,140,635	7,405	589,354	0	1,737,394
2022-2046	<u>0</u>	<u>35,544</u>	<u>0</u>	<u>0</u>	<u>35,544</u>
<i>Total principal and interest</i>	8,752,139	65,164	3,948,906	10,742	12,776,951
Less Interest	<u>2,621,632</u>	<u>12,524</u>	<u>1,161,531</u>	<u>1,249</u>	<u>3,796,936</u>
Total Principal	<u>\$6,130,507</u>	<u>\$52,640</u>	<u>\$2,787,375</u>	<u>\$9,493</u>	<u>\$8,980,015</u>

General obligation bonds are the direct obligation of the City and will be paid from the debt service fund using property tax revenues. The 2001 3.35 percent Law Enforcement Building general obligation bonds were issued at a premium of \$7,439. Special assessment bonds will be paid from special assessment proceeds levied against benefitted property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City.

The Monticello Avenue Sewer, Chardon Road Sewer, and Brushview Road Sewer projects are complete and are being paid from the bond retirement fund. The City also entered into contractual agreements for new construction loans from OWDA. Under the terms of these agreements, OWDA will reimburse, advance, or directly pay the construction costs of the approved projects. OWDA will capitalize administrative costs and construction interest and add them to the total amounts of the final loans. OWDA loans will be paid with special assessments revenue.

The police and fire pension liability will be paid from levied taxes in the police pension fund. Compensated absences and intergovernmental payable will be paid by the fund from which the employee's salary is paid.

During 2001, the City of Richmond Heights entered into a contractual agreement with the City of Highland Heights for the construction of sanitary sewer lines on Highland Road. Richmond Heights is responsible for the portion of the lines that run through the City. The project was financed by an

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 2001

Agriculture District Loan from the Ohio Water and Sewer Rotary Commission in the name of the City of Highland Heights. The amount owed to the City of Highland Heights will be repaid from special assessments levied against property owners.

The amount is \$190,923 with a current year payment of \$14,319. The total amount owed to the City of Highland Heights as of December 31, 2001, is \$176,604. This amount has been recorded on Richmond Heights books as a liability in "Intergovernmental Payable" and is reported in the general long term obligation account group.

Note 17 – Contractual Commitments

As of December 31, 2001, the City had the following contractual commitments outstanding relating to construction of the law enforcement building.

Project	Contract Amount	Amount Paid as of December 31, 2001	Amount Remaining on Contract
Panzica	\$171,128	\$46,000	\$125,128
Northern Valley	420,423	319,629	100,794
Miles Mechanical	297,000	157,780	139,220
Northern Ohio Plumbing	174,036	91,356	82,680
Midland Continental Construction	773,047	334,160	438,887
Crest Masonry	389,606	296,337	93,269
Pro Fab	48,969	45,051	3,918
Erie Side Electric	929,604	245,216	684,388
Western Reserve Interior	88,220	11,325	76,895
Warren Roofing	59,300	23,000	36,300
Mac Mechanical	30,900	23,900	7,000
Total	\$3,382,233	\$1,593,754	\$1,788,479

Note 18 - Jointly Governed Organizations

A. Eastern Suburban Regional Council of Governments

The Eastern Suburban Regional Council of Governments (ESCOG) was formed in 1972 to foster cooperation between member municipalities through sharing of facilities for mutual benefit. These municipalities include Richmond Heights, Mayfield City, Mayfield Village, Lyndhurst, Gates Mills and Highland Heights. The governing body of ESCOG is a council comprised of one representative from each of the six participating municipalities. The Council operates according to a written agreement establishing ESCOG pursuant to Ohio Revised Code Chapter 167.

The Council adopts a budget for ESCOG annually. Each member municipality's degree of control is limited to its representation on the Council. The Council established a subsidiary organization, the Suburban Police Anti-Crime Network (SPAN) which provides for the mutual interchange and sharing of police personnel and police equipment to be utilized by all participating members. In 2001, the City

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 2001

contributed \$7,000 which represents 16 percent of the total contributions. Complete financial statements can be obtained from Mr. Robert G. Tribby, Finance Director for the City of Mayfield Heights, at 6154 Mayfield Road, Mayfield Heights, Ohio 44124-3207.

B. Northeast Ohio Public Energy Council

The City is a member in the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 92 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Richmond Heights did not contribute to NOPEC during 2001. Financial information can be obtained by contacting Dan DiLiberto, Treasurer, 35150 Lakeshore Boulevard, Eastlake, Ohio 44095.

Note 19 – Subsequent Event

On April, 23, 2002, the City issued two bond anticipation notes in the amounts of \$400,000 and \$350,000 respectively.

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City of Richmond Heights, Ohio
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 2000

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Assets and Other Debits			
Assets			
Equity in Pooled Cash and Cash Equivalents	\$999,638	\$1,431,437	\$128,948
Cash and Cash Equivalents with Fiscal and Escrow Agents	0	0	2,263
Receivables:			
Taxes	3,126,015	1,017,481	876,883
Accounts	16,698	3,881	0
Special Assessments	0	0	1,420,674
Accrued Interest	2,993	0	0
Due from Other Governments	175,046	200,216	53,082
Materials and Supplies			
Inventory	5,566	53,038	0
Prepaid Items	35,733	0	0
Fixed Assets	0	0	0
Other Debits			
Amount Available in Debt Service	0	0	0
Amount to be Provided from General Government Resources	0	0	0
Amount to be Provided from Special Assessments	0	0	0
Total Assets and Other Debits	\$4,361,689	\$2,706,053	\$2,481,850

Capital Projects	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	Agency	General Fixed Assets	General Long-Term Obligations	
\$1,061,054	\$285,403	\$0	\$0	\$3,906,480
0	0	0	0	2,263
0	0	0	0	5,020,379
0	0	0	0	20,579
0	0	0	0	1,420,674
882	0	0	0	3,875
80,882	0	0	0	509,226
0	0	0	0	58,604
0	0	0	0	35,733
0	0	9,803,393	0	9,803,393
0	0	0	128,948	128,948
0	0	0	5,897,527	5,897,527
0	0	0	12,363	12,363
<u>\$1,142,818</u>	<u>\$285,403</u>	<u>\$9,803,393</u>	<u>\$6,038,838</u>	<u>\$26,820,044</u>

(continued)

City of Richmond Heights, Ohio
Combined Balance Sheet
All Fund Types and Account Groups (continued)
December 31, 2000

	Governmental Fund Types		
	General	Special Revenue	Debt Service
<i>Liabilities, Fund Equity And Other Credits</i>			
Liabilities			
Accounts Payable	\$46,682	\$38,172	\$0
Contracts Payable	0	0	0
Accrued Wages and Benefits	62,123	60,977	0
Compensated Absences Payable	31,690	13,448	0
Intergovernmental Payable	127,948	129,679	0
Deferred Revenue	2,657,485	1,196,625	2,350,639
Deposits Held and Due to Others	0	0	0
Matured Interest Payable	0	0	2,263
Accrued Interest Payable	0	12,379	0
Notes Payable	0	350,000	0
Police and Fire Pension Liability	0	0	0
OWDA Loans Payable	0	0	0
General Obligation Bonds Payable	0	0	0
Special Assessment Debt with Governmental Commitment	0	0	0
<i>Total Liabilities</i>	2,925,928	1,801,280	2,352,902
Fund Equity and Other Credits			
Investment in General Fixed Assets	0	0	0
Fund Balance:			
Reserved for Inventory	5,566	53,038	0
Unreserved, Undesignated	1,430,195	851,735	128,948
<i>Total Fund Equity and Other Credits</i>	1,435,761	904,773	128,948
<i>Total Liabilities, Fund Equity and Other Credits</i>	\$4,361,689	\$2,706,053	\$2,481,850

See accompanying notes to the general purpose financial statements

Capital Projects	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	Agency	General Fixed Assets	General Long-Term Obligations	
\$2,444	\$0	\$0	\$0	\$87,298
33,403	0	0	0	33,403
0	0	0	0	123,100
0	0	0	678,278	723,416
0	5,801	0	12,347	275,775
19,077	0	0	0	6,223,826
0	279,602	0	0	279,602
0	0	0	0	2,263
5,560	0	0	0	17,939
625,000	0	0	0	975,000
0	0	0	53,343	53,343
0	0	0	2,734,870	2,734,870
0	0	0	2,547,637	2,547,637
0	0	0	12,363	12,363
685,484	285,403	0	6,038,838	14,089,835
0	0	9,803,393	0	9,803,393
0	0	0	0	58,604
457,334	0	0	0	2,868,212
457,334	0	9,803,393	0	12,730,209
<u>\$1,142,818</u>	<u>\$285,403</u>	<u>\$9,803,393</u>	<u>\$6,038,838</u>	<u>\$26,820,044</u>

City of Richmond Heights, Ohio
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Year Ended December 31, 2000*

	Governmental	
	General	Special Revenue
Revenues		
Municipal Income Tax	\$3,809,177	\$0
Property and Other Taxes	972,590	856,846
Charges for Services	3,524	231,210
Fees, Licenses and Permits	248,646	0
Fines and Forfeitures	134,840	0
Intergovernmental	474,188	794,478
Special Assessments	0	0
Interest	227,277	0
Rent	30,980	0
Other	58,275	2,000
<i>Total Revenues</i>	<u>5,959,497</u>	<u>1,884,534</u>
Expenditures		
Current:		
General Government	1,587,855	37,771
Security of Persons and Property	2,033,260	2,350,470
Transportation	611,478	403,990
Community Environment	6,579	977
Basic Utility Services	314,216	3,007
Leisure Time Activities	203,903	98,072
Capital Outlay	0	0
Debt Service:		
Principal Retirement	0	674
Interest and Fiscal Charges	0	14,668
<i>Total Expenditures</i>	<u>4,757,291</u>	<u>2,909,629</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,202,206</u>	<u>(1,025,095)</u>
Other Financing Sources (Uses)		
Proceeds of Bonds	0	0
Sale of Fixed Assets	0	0
Operating Transfers In	20,000	1,150,000
Operating Transfers Out	(1,400,000)	(20,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,380,000)</u>	<u>1,130,000</u>
<i>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</i>	(177,794)	104,905
<i>Fund Balances Beginning of Year</i>	1,614,381	775,952
Increase (Decrease) in Reserve for Inventory	(826)	23,924
<i>Fund Balances End of Year</i>	<u>\$1,435,761</u>	<u>\$904,781</u>

See accompanying notes to the general purpose financial statements

Fund Types		Totals (Memorandum Only)
Debt Service	Capital Projects	
\$0	\$0	\$3,809,177
556,972	0	2,386,408
0	0	234,734
0	0	248,646
0	0	134,840
67,331	512,206	1,848,203
147,784	0	147,784
0	15,052	242,329
0	0	30,980
7,454	221,261	288,990
<u>779,541</u>	<u>748,519</u>	<u>9,372,091</u>
0	0	1,625,626
0	0	4,383,730
0	0	1,015,468
0	0	7,556
0	0	317,223
0	0	301,975
0	1,469,111	1,469,111
603,697	0	604,371
232,618	68,746	316,032
<u>836,315</u>	<u>1,537,857</u>	<u>10,041,092</u>
<u>(56,774)</u>	<u>(789,338)</u>	<u>(669,001)</u>
0	881,057	881,057
0	16,701	16,701
93,850	225,000	1,488,850
0	(68,850)	(1,488,850)
<u>93,850</u>	<u>1,053,908</u>	<u>897,758</u>
37,076	264,570	228,757
91,872	192,764	2,674,969
0	0	23,098
<u>\$128,948</u>	<u>\$457,334</u>	<u>\$2,926,824</u>

City of Richmond Heights, Ohio
*Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types
For The Year Ended December 31, 2000*

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues			
Municipal Income Tax	\$4,039,776	\$4,039,776	\$0
Property and Other Taxes	960,547	960,547	0
Charges for Services	3,524	3,524	0
Fees, Licenses and Permits	248,646	248,646	0
Fines and Forfeitures	140,138	140,138	0
Intergovernmental	481,568	481,568	0
Special Assessments	0	0	0
Interest	228,637	228,637	0
Rent	30,980	30,980	0
Other	58,275	58,275	0
<i>Total Revenues</i>	<u>6,192,091</u>	<u>6,192,091</u>	<u>0</u>
Expenditures			
Current:			
General Government	1,903,697	1,552,142	351,555
Security of Persons and Property	2,167,105	2,017,075	150,030
Transportation	647,064	606,974	40,090
Community Environment	11,501	11,288	213
Basic Utility Services	332,920	314,216	18,704
Leisure Time Activities	235,186	203,002	32,184
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>5,297,473</u>	<u>4,704,697</u>	<u>592,776</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>894,618</u>	<u>1,487,394</u>	<u>592,776</u>
Other Financing Sources (Uses)			
Proceeds of Bonds	0	0	0
Proceeds of Notes	0	0	0
Sale of Fixed Assets	0	0	0
Operating Transfers In	20,000	20,000	0
Operating Transfers Out	(1,400,000)	(1,400,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,380,000)</u>	<u>(1,380,000)</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(485,382)	107,394	592,776
<i>Fund Balances Beginning of Year</i>	887,626	887,626	0
Prior Year Encumbrances Appropriated	4,618	4,618	0
<i>Fund Balances End of Year</i>	<u>\$406,862</u>	<u>\$999,638</u>	<u>\$592,776</u>

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0
863,729	863,729	0	559,703	559,703	0
233,040	233,040	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
817,420	817,420	0	67,331	67,331	0
0	0	0	147,784	147,784	0
0	0	0	0	0	0
0	0	0	0	0	0
2,000	2,000	0	7,454	7,454	0
<u>1,916,189</u>	<u>1,916,189</u>	<u>0</u>	<u>782,272</u>	<u>782,272</u>	<u>0</u>
45,000	35,349	9,651	0	0	0
2,648,203	2,364,308	283,895	0	0	0
470,126	385,685	84,441	0	0	0
5,000	977	4,023	0	0	0
10,000	3,007	6,993	0	0	0
120,000	97,609	22,391	0	0	0
0	0	0	0	0	0
0	0	0	604,210	603,697	513
0	0	0	245,790	232,618	13,172
<u>3,298,329</u>	<u>2,886,935</u>	<u>411,394</u>	<u>850,000</u>	<u>836,315</u>	<u>13,685</u>
<u>(1,382,140)</u>	<u>(970,746)</u>	<u>411,394</u>	<u>(67,728)</u>	<u>(54,043)</u>	<u>13,685</u>
0	0	0	0	0	0
350,000	350,000	0	0	0	0
0	0	0	0	0	0
1,150,000	1,150,000	0	93,850	93,850	0
(20,000)	(20,000)	0	0	0	0
<u>1,480,000</u>	<u>1,480,000</u>	<u>0</u>	<u>93,850</u>	<u>93,850</u>	<u>0</u>
97,860	509,254	411,394	26,122	39,807	13,685
917,608	917,608	0	89,141	89,141	0
329	329	0	0	0	0
<u>\$1,015,797</u>	<u>\$1,427,191</u>	<u>\$411,394</u>	<u>\$115,263</u>	<u>\$128,948</u>	<u>\$13,685</u>

(continued)

City of Richmond Heights, Ohio
*Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types (continued)
For The Year Ended December 31, 2000*

	Capital Projects Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Municipal Income Tax	\$0	\$0	\$0
Property and Other Taxes	0	0	0
Charges for Services	0	0	0
Fees, Licenses and Permits	0	0	0
Fines and Forfeitures	0	0	0
Intergovernmental	907,251	507,251	(400,000)
Special Assessments	0	0	0
Interest	15,140	15,140	0
Rent	0	0	0
Other	221,261	221,261	0
<i>Total Revenues</i>	<u>1,143,652</u>	<u>743,652</u>	<u>(400,000)</u>
Expenditures			
Current:			
General Government	0	0	0
Security of Persons and Property	0	0	0
Transportation	0	0	0
Community Environment	0	0	0
Basic Utility Services	0	0	0
Leisure Time Activities	0	0	0
Capital Outlay	1,646,160	1,572,887	73,273
Debt Service:			
Principal Retirement	1,425,668	1,425,000	668
Interest and Fiscal Charges	72,080	72,080	0
<i>Total Expenditures</i>	<u>3,143,908</u>	<u>3,069,967</u>	<u>73,941</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,000,256)</u>	<u>(2,326,315)</u>	<u>(326,059)</u>
Other Financing Sources (Uses)			
Proceeds of Bonds	881,057	881,057	0
Proceeds of Notes	625,000	625,000	0
Sale of Fixed Assets	16,701	16,701	0
Operating Transfers In	225,000	225,000	0
Operating Transfers Out	(68,850)	(68,850)	0
<i>Total Other Financing Sources (Uses)</i>	<u>1,678,908</u>	<u>1,678,908</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(321,348)</u>	<u>(647,407)</u>	<u>(326,059)</u>
<i>Fund Balances Beginning of Year</i>	1,708,221	1,708,221	0
Prior Year Encumbrances Appropriated	240	240	0
<i>Fund Balances End of Year</i>	<u>\$1,387,113</u>	<u>\$1,061,054</u>	<u>(\$326,059)</u>

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$4,039,776	\$4,039,776	\$0
2,383,979	2,383,979	0
236,564	236,564	0
248,646	248,646	0
140,138	140,138	0
2,273,570	1,873,570	(400,000)
147,784	147,784	0
243,777	243,777	0
30,980	30,980	0
288,990	288,990	0
<u>10,034,204</u>	<u>9,634,204</u>	<u>(400,000)</u>
1,948,697	1,587,491	361,206
4,815,308	4,381,383	433,925
1,117,190	992,659	124,531
16,501	12,265	4,236
342,920	317,223	25,697
355,186	300,611	54,575
1,646,160	1,572,887	73,273
2,029,878	2,028,697	1,181
317,870	304,698	13,172
<u>12,589,710</u>	<u>11,497,914</u>	<u>1,091,796</u>
<u>(2,555,506)</u>	<u>(1,863,710)</u>	<u>691,796</u>
881,057	881,057	0
975,000	975,000	0
16,701	16,701	0
1,488,850	1,488,850	0
<u>(1,488,850)</u>	<u>(1,488,850)</u>	<u>0</u>
<u>1,872,758</u>	<u>1,872,758</u>	<u>0</u>
(682,748)	9,048	691,796
3,602,596	3,602,596	0
5,187	5,187	0
<u>\$2,925,035</u>	<u>\$3,616,831</u>	<u>\$691,796</u>

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City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 2000

Note 1 - Reporting Entity

The City of Richmond Heights is a charter municipal corporation established and operated under the laws of the State of Ohio. A charter first became effective January 1, 1960. The current charter provides for a council-mayor form of government. Elected officials include seven council members and a mayor.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of Richmond Heights consist of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Richmond Heights this includes: police and fire protection, emergency medical, recreation (including parks), planning, zoning, street maintenance and repair, refuse collection, recycling and general administrative services.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes. The City has no component units.

The City participates in a shared risk pool and two jointly governed organizations. The organizations are the Northern Ohio Risk Management Association (NORMA), which is a shared risk pool and the Eastern Suburban Regional Council of Governments (ESCOG) and The Northeast Ohio Public Energy Council (NOPEC), which are jointly governed organizations. These organizations are presented in Notes 9 and 16 to the combined financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Basis of Presentation - Fund Accounting

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

A fund is designed as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available resources.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 2000

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories: governmental and fiduciary. Each category in turn, is divided into separate “fund types.” The City uses the following fund types and account groups:

Governmental Fund Types. Governmental funds are those through which most governmental functions typically are financed. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The following are the City's governmental fund types:

General Fund. This fund is the operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds. These funds are established to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund. The debt service fund is used to account for the accumulation of financial resources for, and the payment of general and special assessment long-term obligation principal, interest and related cost.

Capital Projects Funds. These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Fiduciary Fund Type. Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City only utilizes the agency fund type. The City's agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Account Groups. To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group. The general fixed assets account group is used to account for all general fixed assets of the City.

General Long-Term Obligations Account Group. The general long-term obligations account group is used to account for all unmatured long-term indebtedness of the City.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 2000

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The basis of accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is utilized for reporting purposes by the governmental and agency funds. Under this method of accounting, the City recognizes revenues and other financing sources when they become both measurable and available (i.e. collectible within the current period or within 60 days thereafter) to finance current City operations. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated for payments to be made early in the following year.

In applying the susceptible to accrual concept, revenues accrued at the end of the year include income taxes, interest on investments, and state levied locally shared taxes (including motor vehicle license fees, gasoline taxes, and local government assistance). Other revenues, including licenses, permits, certain charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of December 31, 2000 and delinquent property taxes, whose availability is indeterminate and which are not intended to finance the current year, have been recorded as deferred revenue. Levied special assessments are measurable, and have been recorded as a receivable. Since all assessments are due outside of the available period, the entire amount has been deferred.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

Tax Budget During the first Council meeting in July, the Mayor presents the annual operating budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Estimates Resources The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 2000

Commission agrees, that an estimate needs to be either increased or decreased. The amount reported on the budgetary statements reflects the amounts in the final amended official certificate of estimated resources issued during 2000.

Appropriations A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department and object level. The appropriation ordinance may be amended during the year as new information becomes available. Total fund appropriations may not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year only by an ordinance of Council. The City chooses to amend their appropriations once a year at the end of the year. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Lapsing of Appropriations At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding year and is not reappropriated.

Encumbrances As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds.

D. Cash and Cash Equivalents

Cash received by the City is deposited into one central bank account. Monies from all funds are pooled in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through the City's records.

During 2000, the City invested in non-negotiable certificates of deposit. The certificates of deposit are non-participating investment contracts and are reported at cost.

The City utilizes a financial institution to service general obligation bonded debt as principal and interest come due. The balance of this account is presented on the combined balance sheet as "Cash and Cash Equivalents with Fiscal and Escrow Agents".

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2000 amounted to \$227,277, which includes \$165,267 assigned from other City funds.

For purposes of the presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 2000

E. Inventory

Inventory is stated at cost for governmental funds on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental funds when purchased. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental fund which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2000, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure in the year in which it was consumed.

G. Fixed Assets and Depreciation

General fixed assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized (recorded and accounted for) in the general fixed assets account group. Infrastructure fixed assets consist of sewer lines. Other infrastructure fixed assets such as streets, sidewalks and traffic signals and signs are not capitalized by the City and are not reported as part of the general fixed assets account group.

Fixed asset values were initially determined at December 31, 1994 assigning original acquisition costs when such information was available. In cases where information supporting original costs was not practicably determinable, estimated historical costs were developed. For certain fixed assets, the estimates were calculated by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are capitalized at estimated fair market value on the date donated. The City has elected not to record depreciation in the general fixed assets account group.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset's life are not capitalized. Improvements are capitalized.

H. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. A liability is accrued for employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at fiscal year end, taking into consideration any limits specified in the City's termination policy.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 2000

I. Accrued Liabilities and Long Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences, special termination benefits and contractually required pension contributions are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Payments made more than sixty days after year end are generally considered not to have been paid with current available financial resources. Bonds and long-term loans are recognized as a liability of the general long-term obligations account group until due or until resources have been accumulated in the fund for payment early in the following year.

J. Fund Balance

Reservations of fund balances are established to identify the existence of assets that, because of their nonmonetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure, including amounts legally segregated for a specific future use. Fund balances are reserved for inventories of supplies and materials.

K. Intergovernmental Revenues

In governmental funds, grants awarded on a non-reimbursement basis, shared revenues, and entitlements are recorded as due from other governments and revenues when measurable and available. Reimbursable grants are recorded as receivables and revenues when the related expenditures are made.

L. Interfund Transactions

During the normal course of operations, the City has transactions between funds. Quasi-external transactions are accounted for as revenues and expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

N. Total Columns on the General Purpose Financial Statements

The "Total" columns on the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 2000

Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 3 - Fund Accountability and Compliance

A. Fund Deficits

The street resurfacing capital projects fund had a deficit fund balance of \$629,518 at December 31, 2000. This deficit is the result of the issuance of short-term bond anticipation notes which are used to finance projects until bonds are issued. Once bonds are issued and the liability is reported in the general long-term obligations account group rather than in the fund, the deficit fund balance will be eliminated.

B. Compliance

As of October 31, 2000, the General Fund, Special Revenue - Rescue Squad and Capital Projects - Street Resurfacing Fund had expenditures plus commitments exceeding appropriations at the legal level of control, contrary to Section 5705.41 (B) and (D), Revised Code.

As of December 31, 2000, the City was in violation of Section 5705.41D for failure to certify the availability of funds for expenditure transactions during the audit period.

Note 4 - Budgetary Basis Of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with State statute. The major differences between the budget basis and the GAAP basis (generally accepted accounting principles) are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures for all funds (budget) rather than as a reservation of fund balance for governmental fund types (GAAP).
4. Short-term note proceeds and note principal retirement for governmental funds are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 2000

5. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$177,794)	\$104,905	\$37,076	\$264,570
Net Adjustment for Revenue Accruals	232,594	35,901	2,731	(4,867)
Unrecorded Cash	0	(4,246)	0	0
Note Proceeds	0	350,000	0	625,000
Net Adjustment for Expenditure Accruals	52,594	8,026	0	(103,776)
Principal Retirement	0	0	0	(1,425,000)
Interest and Fiscal Charges	0	14,668	0	(3,334)
Budget Basis	\$107,394	\$509,254	\$39,807	(\$647,407)

Note 5 - Deposits and Investments

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the finance director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 2000

Interim monies can be deposited or invested in the following:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio).

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the City.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the qualified trustee or, custodian.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 2000

GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements", requires disclosures to help assess actual and potential future deposit and investment market and credit risks. The following information regarding deposits and investments is presented using the categories of risk identified in GASB Statement 3.

Deposits. At year-end, the carrying amount of the City's deposits was \$3,908,743 and the bank balance was \$4,061,884. Of the bank balance:

1. \$300,000 was covered by federal depository insurance.
2. \$3,761,884 was uncollateralized and uninsured. Although the securities were held by the pledging financial institutions trust department or agent in the City's name and all State statutory requirements for the investment of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments. Investments are classified under the guidelines of GASB Statement No. 3 into three categories. Category 1 includes investments that are insured or registered or are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the City's name. For the purpose of classification under GASB Statement No. 3, the City did not have any investments at year end.

Note 6 - Receivables

Receivables at December 31, 2000 consist primarily of taxes, accounts, money due from other governments and accrued interest on investments. All receivables are considered fully collectible.

A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2000 for real and public utility property taxes represents collections of the 1999 taxes. Property tax payments received during 2000 for tangible personal property (other than public utility property) is for 2000 taxes.

2000 real property taxes are levied after October 1, 2000 on the assessed value as of January 1, 2000, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2000 real property taxes are collected in and intended to finance 2001.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2000 public utility property taxes became a lien December 31, 1999, are levied after October 1, 2000, and are collected in 2001 with real property taxes.

2000 tangible personal property taxes are levied after October 1, 1999, on the value as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are 25 percent of true value.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 2000

The full tax rate for all City operations for the year ended December 31, 2000, was \$13.60 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2000 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Residential/Agriculture	\$146,683,400
Other Real Estate	64,596,590
Tangible Personal Property	
Public Utility	5,774,660
General Tangible Personal Property	14,319,908
Total	\$231,374,558

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Richmond Heights. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represent real tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2000. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2000 operations. The receivable is offset by deferred revenue.

B. Income Taxes

The City levies a municipal income tax of two percent on substantially all income earned within the City; in addition, residents are required to pay tax on income earned outside of the City. The City allows a credit of one hundred percent for income tax paid to another municipality, not to exceed one percent of taxable income.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Income tax proceeds are to be used for the purposes of general municipal operations, maintenance, new equipment, extension and enlargement of municipal services and facilities and capital improvements of the City of Richmond Heights. In 2000, the proceeds were allocated one hundred percent to the general fund.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 2000

C. Intergovernmental Receivables

A summary of intergovernmental receivables as of December 31, 2000 follows:

	Amount
General Fund:	
Local Government	\$164,145
Court Collection	7,252
Liquor Permits	3,419
Miscellaneous	230
<i>Total General Fund</i>	175,046
Special Revenue Funds:	
Street Construction, Maintenance and Repair	96,675
State Highway	7,818
Fire Service	49,123
Police Pension	4,550
Fire Pension	4,550
COPS Fast	37,500
<i>Total Special Revenue Funds</i>	200,216
Debt Service Fund	
Bond Retirement	53,082
Capital Projects Funds	
Capital Improvements	80,882
<i>Total Intergovernmental Receivables</i>	\$509,226

Note 7 - Fixed Assets

A summary of changes in general fixed assets follows:

	Balance 1/1/00	Adjustment for Reappraisal	Additions	Deductions	Balance 12/31/00
Land	\$558,360		\$0	\$0	\$558,360
Improvements to Land	48,694	212,119	0	0	260,813
Buildings	1,211,795	3,638,258	0	0	4,850,053
Machinery and Equipment	804,254	(208,265)	131,171	0	727,160
Vehicles	1,425,803		506,036	69,923	1,861,916
Infrastructure	1,545,091		0	0	1,545,091
<i>Total</i>	\$5,593,997	\$3,642,112	\$637,207	\$69,923	\$9,803,393

During 2000, the City had a reappraisal performed which resulted in the above change in estimate.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 2000

Note 8 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. In October 1987, the City joined together with other neighboring cities to form the Northern Ohio Risk Management Association (NORMA) for the purpose of providing property, liability and vehicle insurance and providing for a formalized, jointly administered self insurance fund. The City pays an annual premium to NORMA for its insurance coverage. The agreement for formation of NORMA provides that NORMA will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of the limits described in the agreement. This coverage is purchased through the general fund. Claims have not exceeded coverage provided by NORMA in any of the last three years and there were no significant reductions in coverage from the prior year.

The City also elected to join the NORMA Pool for Workers' Compensation. The Group Rating Plan is administered by Comp-Management, Inc. who is paid an annual fee of \$2,496. The NORMA Group Rating Plan is intended to achieve lower workers' compensation premium rates for the participants. There are no additional contributions required by a participant other than their annual fee.

Note 9 - Shared Risk Pool

The Northern Ohio Risk Management Association (NORMA) is a shared risk pool that is jointly owned and operated by the Cities of Bedford Heights, Chagrin Falls, Eastlake, Highland Heights, Hudson, Maple Heights, Mayfield Heights, Richmond Heights, Solon and South Euclid for the purpose of enabling its members to obtain property and liability insurance, including vehicles, and provide for a formalized, jointly administered self-insurance fund. The members formed a not-for-profit corporation known as NORMA, Inc. to administer the pool. NORMA is governed by a board of trustees that consists of the mayor from each of the participating members.

Each entity must remain a member for at least three years from the commencement date of October 1, 1987 with the exception of Eastlake and Solon whose commencement date is October 1, 1989 and Maple Heights, whose commencement date is October 1, 1993. After the initial three years, each City may extend its term in three year increments.

Each member provides operating resources to NORMA based on actuarially determined rates. In the event of losses, the first \$2,500 of any valid claim will be paid by the member. The next payment, generally a maximum of \$150,000 per occurrence, will come from the self insurance pool with any excess paid from the stop loss coverage carried by the pool. Any loss over these amounts would be the obligation of the individual member. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments up to a maximum of the regular annual payment.

In 2000, the City of Richmond Heights paid \$27,962 in premiums which represents 5.2467 percent of the total premiums. Financial information can be obtained by contacting the Finance Director at the City of Bedford Heights, who serves as the fiscal agent.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 2000

Note 10 - Long-Term Obligations

Changes in long-term obligations of the City during 2000 are as follows:

	Balance 12/31/99	Additions	Deductions	Balance 12/31/00
General Obligation Bonds:				
1990 6.85%				
Street Improvements	\$250,000	\$0	(\$250,000)	\$0
1992 5.62%				
Street Improvements	345,000	0	(110,000)	235,000
1994 5.67%				
City Hall, Sidewalks, Underground Storage	245,054	0	(42,417)	202,637
1998 4.74%				
Street Improvements	365,000	0	(40,000)	325,000
1999 4.32%				
Street Improvements	995,000	0	(85,000)	910,000
2000 5.30%				
Street Improvements	0	875,000	0	875,000
<i>Total General Obligation Bonds</i>	<u>2,200,054</u>	<u>875,000</u>	<u>(527,417)</u>	<u>2,547,637</u>
1994 4.00-5.55%				
Special Assessment Bonds	14,946	0	(2,583)	12,363
OWDA Loans:				
4.56%				
Monticello Avenue Sewer	166,023	0	(7,894)	158,129
4.56%				
Chardon Road Sewer	1,505,166	0	(51,218)	1,453,948
4.12%				
Brushview Road Sewer	437,461	0	(14,585)	422,876
Highland Rd. - Meadowlane	580,722	0	0	580,722
Skyline Drive Sewer	119,195	0	0	119,195
<i>Total OWDA Loans</i>	<u>2,808,567</u>	<u>0</u>	<u>(73,697)</u>	<u>2,734,870</u>
Other Long-Term Obligations:				
Police and Fire Pension Liability	54,017	0	(674)	53,343
Compensated Absences	549,000	129,278	0	678,278
Intergovernmental Payable	11,509	12,347	(11,509)	12,347
<i>Total Other Long-term Obligations</i>	<u>614,526</u>	<u>141,625</u>	<u>(12,183)</u>	<u>743,968</u>
<i>Grand Total</i>	<u>\$5,638,093</u>	<u>\$1,016,625</u>	<u>(\$615,880)</u>	<u>\$6,038,838</u>

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 2000

The City's overall legal debt margin was \$20,900,640 at December 31, 2000. The unvoted legal debt margin was \$9,331,912. Principal and interest requirements to retire the long-term general obligation bonds, police pension obligation, Monticello Avenue Ohio Water Development Authority (OWDA) loan, special assessment bonds and the land purchase obligation as of December 31, 2000, are as follows:

	General Obligation Bonds	Police Pension	OWDA Loan	Special Assessment Bonds	Totals
2001	\$482,128	\$1,481	\$166,947	\$3,537	\$654,093
2002	474,538	1,481	166,947	3,387	646,353
2003	355,475	1,481	166,947	3,520	527,423
2004	352,598	1,481	166,950	3,635	524,664
2005	297,704	1,481	166,950	0	466,135
2006-2010	1,186,633	7,405	834,735	0	2,028,773
2011-2015	0	7,405	819,386	0	826,791
2016-2020	0	7,405	562,912	0	570,317
2021-2046	<u>0</u>	<u>37,025</u>	<u>0</u>	<u>0</u>	<u>37,025</u>
<i>Totals</i>	<u>\$3,149,076</u>	<u>\$66,645</u>	<u>\$3,051,774</u>	<u>\$14,079</u>	<u>\$6,281,574</u>

General obligation bonds are the direct obligation of the City and will be paid from the debt service fund using property tax revenues. The 2000 5.3 percent Street Improvement general obligation bonds were issued at a premium of \$6,057. Special assessment bonds will be paid from special assessment proceeds levied against benefitted property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City.

The Monticello Avenue Sewer, Chardon Road Sewer, and Brushview Road Sewer projects are complete and are being paid from the bond retirement fund. The City also entered into contractual agreements for new construction loans from OWDA. Under the terms of these agreements, OWDA will reimburse, advance, or directly pay the construction costs of the approved projects. OWDA will capitalize administrative costs and construction interest and add them to the total amounts of the final loans. A line of credit has been established for the Highland Road and Skyline Drive loans; however, since the loans have not been finalized, repayment schedules are not included in the schedule of debt service requirements. OWDA loans will be paid with special assessments revenue.

The police and fire pension liability will be paid from levied taxes in the police pension fund. Compensated absences and intergovernmental payable will be paid by the fund from which the employee's salary is paid.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 2000

Note 11 - Note Debt

The City's note activity, including amounts outstanding, interest rates and the governmental fund in which the note liability is reported is as follows:

	Balance 12/31/99	Additions	Reductions	Outstanding 12/31/00
Special Revenue Fund				
<i>Fire Squad Fund</i>				
Fire Truck 4.63%	\$0	\$350,000	\$0	\$350,000
Capital Projects Funds				
<i>Street Resurfacing Fund</i>				
1998-1999 4.35%	825,000	0	825,000	0
1999-2000 4.28%	600,000	0	600,000	0
1999-2000 5.25%	0	625,000	0	625,000
<i>Total Notes</i>	<u>\$1,425,000</u>	<u>\$975,000</u>	<u>\$1,425,000</u>	<u>\$975,000</u>

All of the notes are backed by the full faith and credit of the City of Richmond Heights and mature within one year. The note liability is reflected in the fund which received the proceeds.

The notes are generally issued in anticipation of long-term bond financing and are refinanced until such bonds are issued.

Note 12 - Contingencies

The City is a party to legal proceedings seeking damages. The City management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

Note 13 - Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Employees earn ten to thirty days of vacation per year, depending upon length of service. Earned vacation time is paid upon termination of employment.

Employees earn sick leave at different rates depending upon type of employment. Sick leave accrual is continuous, without limit. Upon retirement or death, employees can be paid for accumulated, unused sick leave, up to a maximum number of hours. The maximum number of hours for most City employees is 600, except for fire department union members, for whom the maximum is 690.

As of December 31, 2000, the liability for unpaid compensated absences was \$723,416 for the entire City.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 2000

Note 14 - Defined Benefit Pension Plans

A. Public Employees Retirement System

All full-time employees, other than non-administrative full-time police officers and firefighters participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. For calendar year 2000, PERS instituted a temporary employer rate rollback for state and local governments. The 2000 employer contribution rate for the City was 6.54 percent of covered payroll, reduced from 9.35 percent in 1999. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 2000, 1999, and 1998 were \$158,168, \$131,559, and \$107,841, respectively. The full amount has been contributed for 1999 and 1998. 76.38 percent has been contributed for 2000 with the remainder being reported as a liability in the general long-term obligations account group.

B. Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer public employee retirement system administered by the OP&F's Board of Trustees. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 12.25 percent for police and 16.75 percent for firefighters. For 1999, the City contributions were 12.5 percent for police and 17 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police and firefighters were \$222,348 and \$208,283 for the year ended December 31, 2000, \$150,495 and \$155,871 for the year ended December 31, 1999, \$142,119 and \$163,613 for the year ended December 31, 1998. The full amount has been contributed for 1999 and 1998. 72.19 percent and 73.01 percent, respectively, have been contributed for 2000 with the remainder being reported as a liability in the general long-term obligations account group.

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2000, the unfunded liability of the City was \$53,343 payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary. The liability is reported in the general long-term obligations account group.

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 2000

Note 15 - Postemployment Benefits

A. Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2000 employer contribution rate was 10.84 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for 2000. For 1999, the contribution rate was 13.55 percent of covered payroll; 4.20 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 1999, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants was 401,339. The City's actual contributions for 2000 which were used to fund postemployment benefits were \$60,527. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 1999, (the latest information available) were \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$12,473.6 million and \$1,668.1 million, respectively.

For 2000, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997, disclosures had been based on a pay-as-you-go funding basis.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24

City of Richmond Heights, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 2000

percent of covered payroll, of which 7.25 percent of covered payroll was applied to the postemployment health care program during 2000. For 1999 the percent used to fund healthcare was 7 percent. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 2000 that were used to fund postemployment benefits were \$88,616 for police and \$73,443 for fire. The OP&F's total health care expenses for the year ended December 31, 1999, (the latest information available) were \$95,004,633, which was net of member contributions of \$5,518,098. The number of OP&F participants eligible to receive health care benefits as of December 31, 1999, was 12,467 for police and 9,807 for firefighters.

Note 16 - Jointly Governed Organizations

A. Eastern Suburban Regional Council of Governments

The Eastern Suburban Regional Council of Governments (ESCOG) was formed in 1972 to foster cooperation between member municipalities through sharing of facilities for mutual benefit. These municipalities include Richmond Heights, Mayfield City, Mayfield Village, Lyndhurst, Gates Mills and Highland Heights. The governing body of ESCOG is a council comprised of one representative from each of the six participating municipalities. The Council operates according to a written agreement establishing ESCOG pursuant to Ohio Revised Code Chapter 167.

The Council adopts a budget for ESCOG annually. Each member municipality's degree of control is limited to its representation on the Council. The Council established a subsidiary organization, the Suburban Police Anti-Crime Network (SPAN) which provides for the mutual interchange and sharing of police personnel and police equipment to be utilized by all participating members. In 2000, the City contributed \$20,179 which represents 16 percent of the total contributions. Complete financial statements can be obtained from Mr. Robert G. Tribby, Finance Director for the City of Mayfield Heights, at 6154 Mayfield Road, Mayfield Heights, Ohio 44124-3207.

B. Northeast Ohio Public Energy Council

The City is a member in the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 92 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Richmond Heights did not contribute to NOPEC during 2000. Financial information can be obtained by contacting Dan DiLiberto, Treasurer, 35150 Lakeshore Boulevard, Eastlake, Ohio 44095.

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**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

City of Richmond Heights
Cuyahoga County
457 Richmond Road
Richmond Heights, Ohio 44143

To the Members of City Council:

We have audited the financial statements of the City of Richmond Heights, Cuyahoga County, Ohio, (the City) as of and for the years ended December 31, 2001 and December 31, 2000, and have issued our report thereon dated May 23, 2002. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-20818-001 through 2001-20818-003. In addition, we noted an immaterial instance of noncompliance that we reported to management in a separate letter dated May 23, 2002.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated May 23, 2002.

This report is intended for the information and use of management and City Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a horizontal line extending to the right.

Jim Petro
Auditor of State

May 23, 2002

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY**

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2001 AND 2000

SCHEDULE OF FINDINGS

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2001-20818-001
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Ohio Revised Code § 5705.41(D), states no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

This section also provides two exceptions to the above requirements:

- If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, the City Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate (a then and now certificate), if such expenditure is otherwise valid.
- If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the City Council.

We noted 44 out of 60 transactions in which the invoice was dated prior to the purchase order and the instances noted did not fall within any of the exceptions to this Section.

We recommend the fiscal officer certify the availability of funds prior to entering into any obligation.

Finding Number	2001-20818-002
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Ohio Rev. Code § 5705.39, provides that the total appropriations from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimated or amended official estimated revenue.

The following funds had appropriations in excess of total estimated revenue as of October 31, 2001:

<u>Fund</u>	<u>Total Estimated Revenue</u>	<u>Total Appropriations</u>	<u>Excess</u>
Special Revenue Fund - Law Enforcement Bldg.	\$0	\$2,000,000	\$(2,000,000)
Capital Projects Fund - Street/Resurf. 1999/2000	1,042	601,200	(600,158)
Capital Projects Fund - Street/Resurf. 2001/2002	0	600,000	(600,000)
Capital Projects Fund - Richmond Rd. San. Sr.	0	10,000	(10,000)

These variances were corrected as of December 31, 2001.

We recommend the City enforce budgetary controls to ensure that Council does not appropriate more than the City expects to receive in revenue. The City should increase the certificate of estimated resources when additional money is received.

**CITY OF RICHMOND HEIGHTS
CUYAHOGA COUNTY**

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2001 AND 2000

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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(Continued)

Finding Number	2001-20818-003
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Ohio Rev. Code § 5705.41(B), prohibits a subdivision from making an expenditure unless it has been appropriated. Ohio Rev. Code § 5705.41(D), provides that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditure lacking prior certification shall be declared void. The following accounts had expenditures plus encumbrances in excess of appropriations:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Total Expenditures plus Encumbrances</u>	<u>Excess</u>
<u>As of October 31, 2001</u>			
General Fund-Lodge-Supplies	\$6,000	\$14,475	(\$8,475)
General Fund-Safety Director-Salary	10,000	12,500	(2,500)
General Fund-Statutory Accts.-News Letter	25,000	35,158	(10,158)
General Fund-Recreation-Benefits	15,000	18,682	(3,682)
General Fund-Recreation-Operating Expenses	47,000	59,373	(12,373)
Capital Projects - Richmond Rd.-Sanitary Sewer	10,000	236,520	(226,520)
<u>As of October 31, 2000</u>			
General Fund-Civil Service-Contractual	\$8,000	\$9,154	\$(1,154)
General Fund-Recreation-Benefits	6,500	8,946	(2,446)
Special Revenue Fund - Rescue Squad	295,000	531,674	(236,674)
Capital Projects Fund - Street Resurfacing 1998-99	850,000	890,291	(40,291)

These variances were corrected as of December 31, 2001 and December 31, 2000.

This weakness could allow expenditures in any of the above funds to exceed the total of the available fund balance and the current year revenues, resulting in negative fund balance(s).

We recommend the City compare appropriations to expenditures in all funds which are legally required to be budgeted, at the legal level of control, and make all necessary adjustments to the amounts appropriated to ensure compliance with the above requirements. This comparison, and amendment if necessary, should be completed on a monthly basis at a minimum.



STATE OF OHIO
OFFICE OF THE AUDITOR

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CITY OF RICHMOND HEIGHTS

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 18, 2002**